From: "DON PATTILLO" <dpattillo@classicnet.net> on 04/05/2006 12:40:05 PM

Subject: Interagency Concentrations in Commercial Real Estate Lending

Ladies and Gentlemen:

I am presedent of a $300 million independent bank in Southeast Arkansas. We are an ag bank financing primarily rice and soybean farmers. We realized several years ago that in order for us to meet growing regulatory burdens, we would have to grow in size to be big enough to spread our costs in an efficient manner.

We also had some concerns about our lack of diversification in our loan portfolio. Rather than branch into urban areas where we had little expertise or local knowledge, we opted to seek participations from banks in those areas of Arkansas experiencing growth. (Our part of the state is actually losing population.)

This has been a very successful strategy for us as has been reflected in our growth and income. Of course, many of the loans in which we have participated have been real estate and construction loans. While many are from northwest Arkansas, they nonetheless are geographically and industry diverse. In my opinion, we are a much safer bank than when we relied almost totally on the agriclutural economy for our existance.

I believe it would be more appropriate to look at each bank on a case by case basis to assess their risk levels. There can be diversity within the commercial real estate market, by type and location. The fact that we are in an agricultural area and have little commercial or construction activity should be recognized when considering our safety and soundness.

Sincerely,

Don Pattillo
President & CEO
Farmers and Merchants Bank
Stuttgart, Arkansas